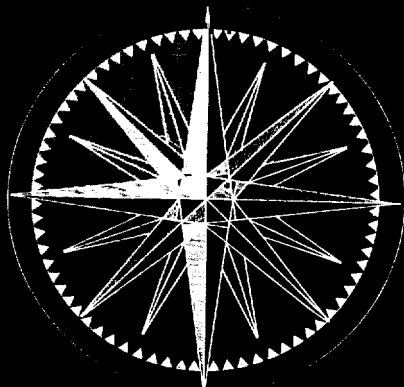


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1 October 1965

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WEEKLY SUMMARY

CENTRAL INTELLIGENCE AGENCY OFFICE OF CURRENT INTELLIGENCE

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C O N T E N T S

(Information as of noon EDT, 30 September 1965)

VIETNAM

Page

1

Last week Hanoi devoted unusual attention to setting forth its position on a negotiated settlement. It reasserted that the Liberation Front "must have its decisive say" if there are to be any talks, but did not, as in the past, rule out participation by the Saigon government. The North Vietnamese stressed, however, that the US must accept Premier Pham Van Dong's basic "four points" for a final settlement. A tougher attitude was evident in Hanoi's statement that captured US pilots henceforth would be tried as "criminals" not covered by the Geneva conventions on prisoners of war. Evidence suggests that an increase of the North Vietnamese fighter force may be under way, and there now are 22 confirmed SAM sites in the DRV. The pace of the war in South Vietnam quickened last week as the Viet Cong abandoned what has been for months an essentially defensive posture.

PAKISTAN-INDIA-CHINA

5

India and Pakistan have both violated the cease-fire and are maintaining diametrically opposed positions on the diplomatic front. India has emerged from the recent conflict in a relatively strong military posture which has increased its determination to resist any effort to hold a plebiscite in Kashmir. The Chinese Communists are still saying that their retreat from their 16 September ultimatum came as a result of Indian compliance and are warning that accounts must be settled with India.

The Communist World

SOVIET CENTRAL COMMITTEE PLENUM

9

Kosygin's speech dealt more with extensive changes proposed in the administration and management of Soviet industry than with the details and timing of their implementation. Brezhnev made two speeches--one summing up the discussion of Kosygin's report, another on convening the 23rd party congress. The two leaders' sharing of top billing at the plenum argues strongly against recent reports that one of them would be demoted.

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MOSCOW MAKES CLEAR TO BONN THAT EAST GERMANS COME FIRST 12
The Soviets took the occasion of the presence in the USSR last week of State Secretary Carstens of West Germany and Walter Ulbricht's delegation from East Germany to make clear that no rapprochement between Moscow and Bonn can be expected now.

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Asia-Africa

MORE COMMUNIST ECONOMIC AID FOR CAMBODIA 15
More Communist economic aid will be offered to Cambodia during Prince Sihanouk's current tour of China, North Korea, the USSR, and Eastern Europe.

SOVIET MILITARY AID TO ALGERIA CONTINUES 16
Recent deliveries of materiel and the departure of large numbers of Algerian trainees for the USSR indicate that Moscow is providing significant military aid to the new Boumedienne regime.

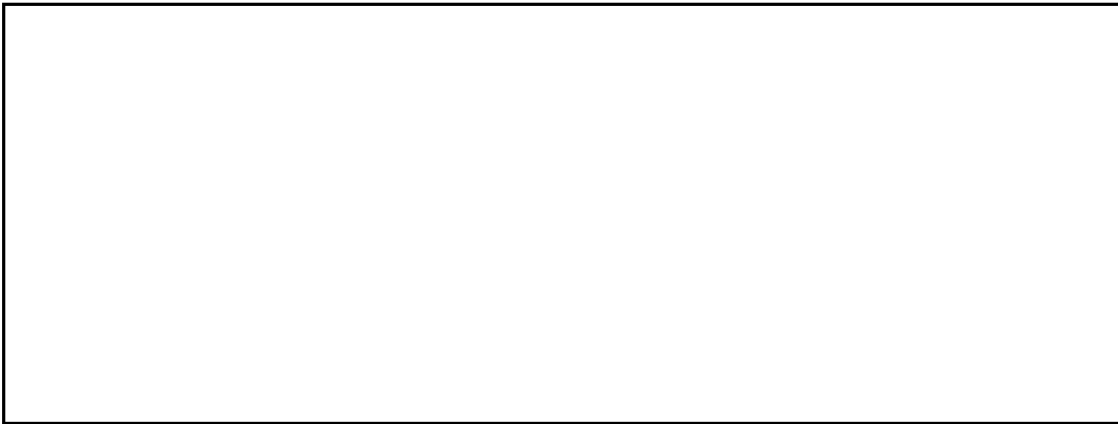
RHODESIA MAY DECLARE INDEPENDENCE THIS MONTH 17
Prime Minister Ian Smith will talk to Harold Wilson next week, but British officials are pessimistic.

SOUTH AFRICA BUILDING NEW AIRFIELDS 18
Pretoria claims the installations are for civilian use, but they appear designed as protection against a potential threat from the north.

REBELS SLOWING GOVERNMENT MILITARY CAMPAIGN IN EASTERN CONGO 18
The mercenaries are meeting resistance in a move on the rebel stronghold along Lake Tanganyika.

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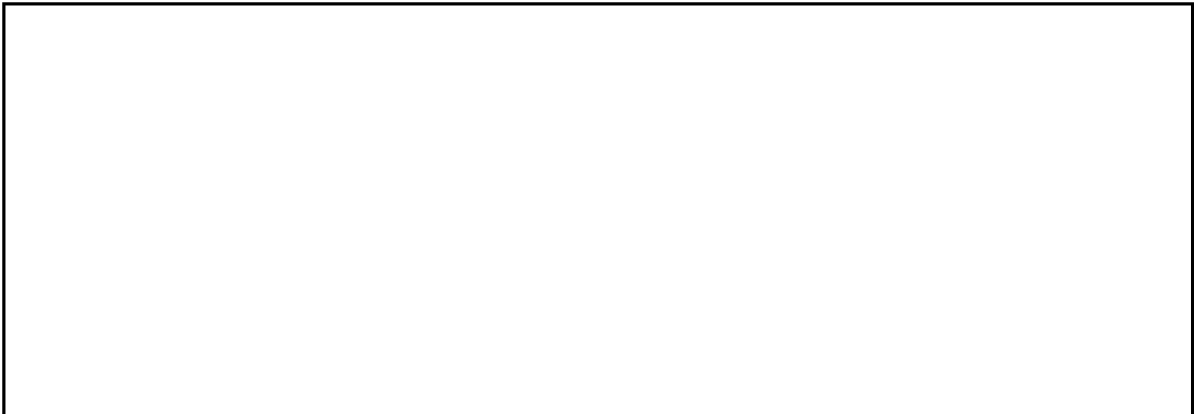
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JORDAN AND LEBANON SEEK JET FIGHTERS FROM FRANCE
Both countries are resisting strong pressure from the United Arab Command to buy MIG-21s.

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Europe

IMPACT OF THE COMMON MARKET CRISIS ON EURATOM

22

France's continued boycott of the European communities' decision-making machinery threatens to delay allocation of funds urgently needed for the 1966 research and development program. It is also complicating a move by the US to substitute a single US-EURATOM treaty for the bilateral accords it has with EURATOM members for the exchange of nuclear fuels.

FRENCH COMMUNISTS ENDORSE PRESIDENTIAL CANDIDATE

23

Their support for Socialist-backed Francois Mitterrand is their first significant collaboration with parties of the democratic left since 1947, but Mitterrand's pro-NATO and pro-EEC platform may lead many Communist militants to oppose him and thus fragment the left.

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STEPHANOPOULOS WINS GREEK PARLIAMENTARY VOTE 24
The new prime minister now has until mid-November, when Parliament reconvenes, to show some progress in solving Greece's many problems.

Western Hemisphere

PANAMANIAN REACTION TO JOINT STATEMENT ON CANAL 25
Panamanians generally reacted with guarded optimism to the joint canal statement by Presidents Johnson and Robles on 24 September, many believing that final judgment must await implementation of the treaty details under discussion. Robles, however, feels he now can deal effectively with his opponents in the legislature.

PRESIDENT VERSUS MILITARY IN DOMINICAN REPUBLIC 26
The interim regime of Hector Garcia Godoy appears to have lost the confidence of the military and has made little progress in collecting rebel arms or eliminating the rebel zone in the capital.

INSURGENCY IN NORTHERN MEXICO 27
An outlaw band apparently dispersed by security forces last week was only one of several leftist groups agitating in Chihuahua and other northern states, exploiting long-standing discontent among peasants who have derived virtually no benefit from Mexico's economic advances.

BOLIVIAN CRISIS EASES 28
Most mines now are operating normally, and the junta is holding discussions with representatives of the miners to try to reduce resentment of its reform program. Basic dissatisfaction is deep-seated, however, and violence could be renewed in the mining area at any time.

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VIETNAM

Last week Hanoi devoted unusual attention to setting forth its position on a negotiated settlement. The key document was a Foreign Ministry memorandum of 23 September which offered neither concessions nor hope that talks are likely in the near future. The statement was apparently intended to clarify Hanoi's position and keep alive a public dialogue with the US.

On conditions for negotiations, the memorandum specified only that the Liberation Front (NFLSV) "must have its decisive say." It did not, as in the past, rule out participation by the Saigon government. The memorandum also reasserted Hanoi's adherence to Premier Pham Van Dong's basic "four points," insisting that the US must "solemnly" declare its acceptance of these before a political settlement "can be considered." Thus, Hanoi continued to distinguish between what it considers conditions for negotiations--inclusion of the NFLSV--and its conditions for a final settlement--US acceptance of the four points.

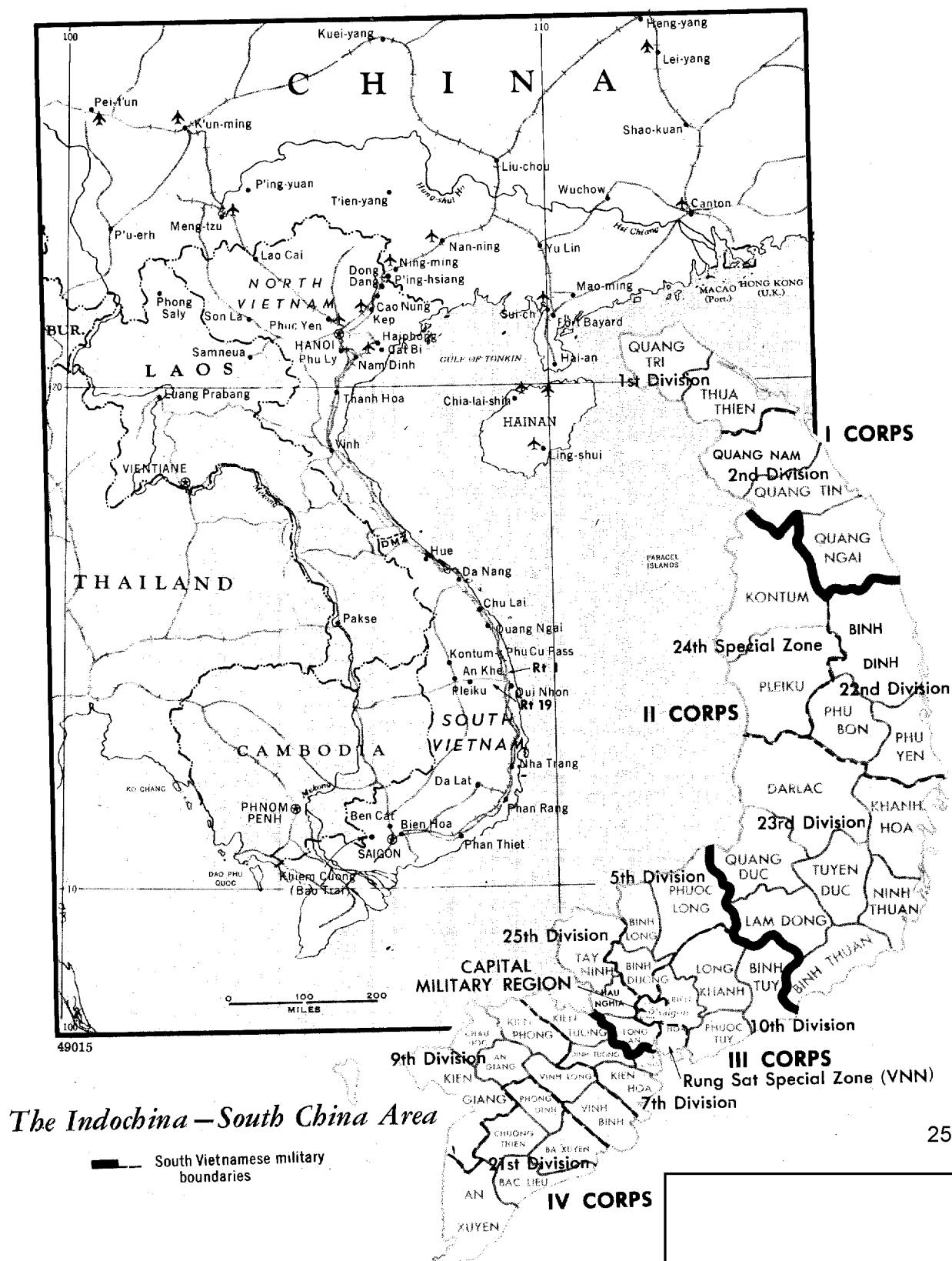
Four days later, Hanoi radio rebroadcast in English a discussion on a political solution which had been serialized in a Vietnamese publication last July. The article, by Reunification Chairman Nguyen Van Vinh, portrayed Hanoi as flexible but emphasized aspects it considers most important in any settlement--for example, that the US

recognize the principle of a single unified Vietnam. Vinh also stated categorically that there will be no withdrawal of Communist military units from South Vietnam to the North comparable to the regroupment of 1954. In general, however, Vinh told the US that present Vietnamese demands represent a much "lower price than even the Geneva agreements." There are, he said, no conditions attached to the timing of US troop withdrawal so long as the US agrees to withdraw.

On the treatment of US prisoners, however, Hanoi talked tough. A broadcast quoting a Foreign Ministry letter to the Red Cross said that US pilots captured in North Vietnam are regarded as "criminals" to be tried for violation of North Vietnamese law and not covered by the Geneva conventions on prisoners of war. The announcement followed closely the Liberation Front's execution of two American prisoners and an accompanying threat that lenient treatment of POWs by the Viet Cong was directly related to treatment of VC prisoners.

Peking's hard line toward a negotiated settlement is unchanged. There was no official comment on the 23 September DRV Foreign Ministry communiqué on the subject. The China News Agency summary, which carried almost the full communiqué, omitted passages which implied that the Vietnamese Communists were receiving substantial punishment in the war, and a

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statement that the Vietnamese people "eagerly want peace."

appearance to the MIG-15-17 crate delivered there [redacted]

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There now are 22 confirmed SAM sites in North Vietnam: site 20 was discovered [redacted] at Phu Ly; site 21 [redacted] about seven miles west of Haiphong [redacted]

[redacted] and site 22 [redacted] in the Thanh Hoa area of the central DRV--long suspected of harboring missile defenses.

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South Vietnamese Situation

Last week the Viet Cong, after months of remaining in an essentially defensive posture and confining their operations primarily to small-scale harassments, sharply accelerated their activity, particularly in the central coastal province of Binh Dinh and in the provinces west and south of Saigon.

In his speech to the party plenum on 29 September, Brezhnev routinely promised that Soviet aid would continue. He reiterated Moscow's standard position that the future development of US-Soviet relations depends on whether the US abandons its "aggressive attacks" on socialist countries.

Military Developments in DRV

An increase of the North Vietnamese fighter force may be under way. Photography [redacted] showed 24 aircraft-size crates at Phuc Yen Airfield similar in

The heaviest fighting involved two separate engagements between regimental-strength government and Viet Cong troops along a hotly contested 20-mile stretch of Route 1 near the Phu Cu Pass in Binh Dinh. Upwards of 1,000 Viet Cong were estimated to have been killed, primarily as a result of aerial bombardment in support of the ground forces; cumulative friendly losses were 250 killed, wounded, and missing.

Also during the week, a VC unit estimated at battalion

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strength ambushed a company of Vietnamese regulars in Quang Nam Province, inflicting nearly 100 casualties and capturing 40 weapons. In another battalion-size attack the Viet Cong overran a Ranger battalion outpost at the provincial capital of Bao Trai, in Hau Nghia 25 miles west of Saigon. The Rangers sustained more than 125 casualties and lost 100 weapons. Several sharp attacks have also been made recently against scattered government paramilitary outposts in delta provinces south of Saigon.

The military leadership in Saigon, meanwhile, is reportedly planning personnel changes in

the government and command structure to increase efficiency and integrity. Three cabinet members, two of whom have had personal differences with Premier Ky, are marked for replacement, along with a number of senior officers, the most important being General Nguyen Huu Co, who would remain minister of war but give up his title as chief of the Joint General Staff. In a press conference hinting at these impending changes, Ky strongly emphasized that his government would continue its policy of executing convicted Viet Cong agents, despite the Communist retaliatory killing of two American military captives last week.

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PAKISTAN-INDIA-CHINA

The week since 22 September, when the Indo-Pakistani cease-fire went into effect, has been marked by constant violations along the whole Kashmir - West Pakistan border. As far as can be determined, these violations reflect attempts by both sides to establish a presence in areas not previously fully occupied by their troops and thereby to acquire maximum bargaining positions for withdrawal negotiations.

In Kashmir and along the Punjab border, where major military forces oppose each other, scattered incidents have occurred but apparently without extensive trading of territory. Farther south, Pakistan has complained about Indian attempts to clear small areas in Rajasthan State that are held by Pakistan. The Indian Army there appears to be actively trying to oust Pakistani forces from their positions regardless of the cease-fire.

Major General Bruce MacDonald, Canadian commander of the new United Nations India-Pakistan Observer Mission (UNIPOM) which is to patrol the Pakistani-Indian border south of Kashmir proper, has not yet effectively established a line of observers along the front. Thus, he is not yet able to judge the accuracy of Indian and Pakistani charges and countercharges of cease-fire violations. Unless he

can move quickly, he may find himself bogged down in a morass of conflicting claims which will dash any hope of effecting withdrawals behind national boundaries in the near future.

Inside Kashmir, sporadic guerrilla activity continues. India claims the right to hunt down and dispose of infiltrators, for whom Pakistan disclaims responsibility. New Delhi argues that unless Pakistan admits to sponsoring them, the infiltrators must be considered an internal Indian security problem which can be settled without reference to the cease-fire. Pakistan apparently does not intend to strengthen any guerrilla forces in Kashmir

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The Diplomatic Front

While the UN military observer groups are trying to stabilize the fighting front, India and Pakistan continue to hold diametrically opposed positions on the diplomatic front. India is willing to withdraw its troops behind national boundaries and the 1949 UN cease-fire line, provided the withdrawal is not related in any way to the question of a permanent settlement in Kashmir.

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Pakistan is unwilling to withdraw any troops from present battle lines unless assured that the United Nations is making progress toward a permanent solution.

India has emerged from the recent conflict in a relatively strong military posture, and self-confidence has replaced most of the feelings of inferiority generated by the Chinese invasion of 1962. Statements by Indian leaders, from President Radhakrishnan and Prime Minister Shastri on down, make it clear that India has no intention of considering a plebiscite in Kashmir and that New Delhi will stand pat on its present position. Shastri is backed by buoyant public opinion, at least temporarily.

Pakistani President Ayub is in a less enviable situation. Having led his people to believe that Pakistan was on the verge of a great military victory at the time of the cease-fire, he now either has to force progress toward a permanent settlement or explain to his people why he has failed. Unlike Shastri, Ayub cannot stand pat and await developments. Since Pakistan has acquired no new bargaining counters against India in the past month, Ayub's task is difficult. His means of putting pressure on the great powers to support him are also limited and would risk antagonizing the very countries on whom he must count most strongly for assistance. This would be especially true

if the West Pakistani public--enraged by lack of progress--vented its spleen in demonstrations which resulted in damage or danger to foreign properties and lives.

The Soviet Stand

The Soviet Union continues to support UN efforts to alleviate the South Asia crisis, while leaving open Premier Kosygin's offer to participate at some future date in a summit meeting between Ayub and Shastri.

Moscow has publicly praised the acceptance of the Security Council call for a cease-fire and has reported Indian and Pakistani acceptances "in principle" of Kosygin's offer, along with Ayub's insistence that "adequate preparations" be made at the Security Council. Soviet Foreign Minister Gromyko in his 24 September speech at the UN General Assembly avoided specific mention of Kosygin's offer and called simply for new efforts by both countries to find a "sensible solution" to the problems between them.

The US Embassy in Moscow has concluded that the present Soviet objective is to try to achieve a mutually acceptable settlement by working through the UN Security Council, with the prospect of a summit meeting in the USSR arising only if the principal issues at dispute have already been resolved.

The Chinese Angle

The Chinese Communists have continued their effort to explain

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that their retreat from their ultimatum of 16 September resulted from alleged Indian compliance with their demands. In two diplomatic notes broadcast on 24 September the Chinese asserted that intruding Indian troops had been withdrawn "within the specified time limit" set by Peking, and claimed that in the face of a "stern warning" the Indians had "stealthily demolished or abandoned" military works constructed on the Chinese side of the Sikkim boundary.

The notes contained a detailed refutation of New Delhi's charges that Chinese troops had intruded aggressively across the Sino-Indian frontier, portraying the situation as one in which Communist forces were responding defensively to Indian provocations. Apparently in an attempt to maintain some pressure on New Delhi, the Chinese reiterated earlier warnings that, if

the Indians keep up their intrusions, New Delhi will have to "bear all the consequences." They asserted that so long as Indian aggression against Pakistan continues, China will "not cease to support Pakistan...or the people of Kashmir."

Apparently stung by the anti-Chinese demonstration in New Delhi, Peking issued a third note on 26 September claiming that its actions during the Kashmir crisis had "punctured" Indian aggression and asserting that the "ugly farce" staged in New Delhi could not hide the wretched picture of Indian troops "fleeing in panic" from the Chinese side of the Sikkim frontier.

This note reminded the Indians that accounts between Peking and New Delhi must still be settled and warned once again that "there is a limit to everything."

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The Communist World

SOVIET CENTRAL COMMITTEE PLENUM

Premier Kosygin's speech to the Soviet party central committee on 27 September indicates that extensive changes are planned in the administration and management of Soviet industry. He dealt more with the proposed remedies to problems in this area, however, than with the details and timing of their application. Although the success of this program is therefore difficult to predict, the attempt to inject new, decentralizing techniques while improving central control will not be accomplished without considerable difficulty.

Kosygin's program for reforming the industrial sector of the economy contains a number of proposals to foster productivity and to increase both industrial growth and national income. These measures are designed to improve the performance and the production of the individual economic units while at the same time ensuring that paramount national interests are maintained.

On the one hand, enterprises are to be granted more managerial independence in their internal operations, to develop more effective incentives, and to employ on an increasing scale the so-called economic "levers" of price, profit, credit, and bonuses. The financing of investment at the plant level is to be accomplished more from internal resources and bank credits with a corresponding reduction in

direct, nonrepayable grants from the state. On the other hand, Kosygin specified that the central authorities would determine such controls over the enterprises as the over-all sales volume, the basic product mix, the wage fund, the level of profits and the rate of profitability, and the tax contribution to the state budget. He also called for closer adherence by the manufacturing plants to the provisions of the still-unannounced next five-year plan (1966-70).

Kosygin recognized the critical importance of meaningful prices in the success of his proposed innovations, but he did not say how he proposed to change the present system of setting prices by administrative fiat. In postponing again the long-delayed revision of wholesale prices scheduled for January 1966, however, he acknowledged that the prices to be introduced in 1967-68 would incorporate basic reforms. During the interim period some changes in prices will be made so that enterprises can operate on a profit basis.

In the administrative portion of his report Kosygin stated that 20 ministries will be established with "all the rights" for managing production in their respective branches of industry. Although this will entail the dissolution of Khrushchev's system of regional economic councils, Kosygin indicated that

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Soviet Ministerial Structure

EXISTING MINISTRIES

(19 ministries existing prior to central committee plenum, 27 September 1965.)

Defense
Foreign Affairs
Health
Culture
Higher and Secondary Specialized Education
Communications
Finance
Railways
Maritime Fleet
Agriculture
Foreign Trade
Civil Aviation
... Re-established in March 1965
General Machine Building
Aviation Industry
Defense Industry
Radio Industry
Electronics Industry
Shipbuilding Industry
... Medium Machine Building

PROPOSED ADDITIONAL MINISTRIES

(16 former state committees for specific branches of industry apparently are to be transformed into 20 new ministries.)

Heavy, Power, and Transport Machine Building
Construction, Road Building, and Communal Machine Building
Tractor and Agricultural Machine Building
Electrotechnical Industry
Instrument Building, Means of Automation, and Control Systems
Chemical and Petroleum Machine Building
Machine Tool and Tool Manufacturing Industry
Ferrous Metallurgy
Nonferrous Metallurgy
Coal Industry
Chemical Industry
Petroleum Extraction Industry
Petroleum Refining and Petrochemical Industry
Timber, Cellulose-Paper, and Woodworking Industry
Construction Materials Industry
Light Industry
Foodstuffs Industry
*Meat and Dairy Industry
*Motor Vehicle Industry
*Machine Building for Light and Food Industries, and Household Machine Building

**(Industries for which separate government authorities would be established for the first time.)*

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some degree of local authority will be retained by asserting that the ministerial system must be combined with "correct territorial planning." A stronger role for Gosplan, the state planning body, is also provided for in Kosygin's speech.

Kosygin did not speak in detail on the crucial question of resource allocation in this report. He nevertheless observed that the share of national income devoted to consumption will be increased "in the next few years." Although this might be achieved by higher prices for consumer goods than by a real growth in consumer welfare, Kosygin stated that, "retail prices can only be reviewed in the sense of lowering them."

The absence of a timetable for implementing Kosygin's proposals may mean that little, other than the return to a ministerial form of administration, will be done in the near future. In fact, he implied that planning for 1966 was too far advanced to enable substantial changes during the coming year. The regime's repeated admonitions against hasty, ill-conceived actions will probably reinforce its caution in extending greater autonomy to the industrial enterprises while trying to improve central control and guidance at the same time.

Brezhnev shared top billing with Kosygin at the plenum by giving two speeches--one summing up the discussion on Kosygin's report, and another on convening the 23rd party congress. In the summing-up speech Brezhnev endorsed Kosygin's proposals, admitted that this year's wheat harvest was well below last year's, and noted that relations with the United States had "a clear tendency toward freezing." The substance of Brezhnev's second speech and the date and agenda of the congress are not yet available.

The central role at the plenum played by the two top leaders argues strongly that recent reports and rumors that one or the other will be demoted were unfounded. The only personnel actions taken by the plenum were the pro forma removal of Vitaly Titov from the secretariat--last April he was made party second secretary in Kazakhstan--and the election to the secretariat of the party's current agricultural department chief, Fedor Kulakov, replacing Khrushchev's protégé Polyakov. Kulakov is believed to be close to presidium member Polyansky, who in turn is one of the Brezhnev clique on the presidium.

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MOSCOW MAKES CLEAR TO BONN THAT EAST GERMANS COME FIRST

The Soviets took the occasion of the presence in the USSR last week of State Secretary Carstens of West Germany (FRG) and Walter Ulbricht's delegation from East Germany (GDR) to make clear that no rapprochement between Moscow and Bonn can be expected now, and that better Soviet-FRG relations in the future could not come about at the expense of the GDR.

Carstens, the first high-ranking FRG official to visit the USSR in a decade, went to Moscow ostensibly in connection with Bonn's entry in an international chemistry exposition there, but primarily to commence a dialogue with the Soviets. He met with Foreign Ministry, trade, and cultural officials. The Soviets presumably did not want to close the door to the FRG but, at the same time, did not indicate that they want to open it any wider. The Ulbricht visit was apparently timed deliberately to coincide with the Carstens talks in order to forestall any misgivings the conversations might have raised in Eastern Europe, especially in Poland and Czechoslovakia, and to dramatize to the West Germans the primacy of Soviet relations with the GDR.

No progress was made on renewing Soviet-FRG trade and cultural agreements because of Moscow's continued refusal to extend them to West Berlin, and Carstens' refusal to compromise. This apparently was the chief point on which Carstens probed for a change in Moscow's position. He also renewed the invitation to Kosygin to visit the FRG. Kuznetsov gave a non-committal reply, and such a visit does not seem likely in the near future.

Soviet anti-FRG propaganda continued unabated during Carstens' stay. At a Soviet-GDR friendship rally in Ulbricht's honor, Brezhnev charged that the FRG is "ready to stake everything" on gaining access to nuclear arms, and that such a development would evoke "appropriate measures" from the Warsaw Pact.

Although the FRG had not expected much, the absence of any visible signs of improved Soviet-FRG relations undoubtedly pleased Ulbricht, who has always been fearful that Moscow might deal with the FRG behind his back. Aside from expressions of esteem and loyalty, however, the only substantive result of the Ulbricht visit appears to be the creation of a USSR-GDR bilateral economic commission like those established by the Soviets with other East European states.

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Asia-Africa

MORE COMMUNIST ECONOMIC AID FOR CAMBODIA

More Communist economic aid will be offered to Cambodia during Prince Sihanouk's current tour of China, North Korea, the USSR and Eastern Europe.

The Chinese reportedly will commit themselves to a 200-bed hospital, industrial equipment, and several small factories. In addition, talks covering additional aid for Cambodia's next five-year plan are likely to take place during Sihanouk's visit. A number of Chinese economic groups are to be sent to Cambodia to study improving and, in some cases, enlarging Chinese-aided projects now in place.

Up to now, the Chinese have granted Cambodia about \$50 million in economic assistance, accounting for about two thirds of all its Communist economic aid. This assistance has been used to help finance such projects as cement, textile, and paper plants and agricultural programs, and to provide tech-

nical assistance on the railroad connecting the capital with the new port of Sihanoukville. Except for a textile plant and a glassware factory valued at \$14 million, all the projects under the Chinese aid program have been completed. In addition Peking is augmenting its military aid which now includes small arms for 27,000 Cambodian troops.

Moscow will probably also contribute more aid. At present the Soviet program in Cambodia is concentrated mainly on the Kamchay hydroelectric dam, a \$12-million effort which is in the initial stage of construction. Czechoslovakia, which may also be approached for additional assistance, has provided about \$5 million for industrial undertakings. North Korea will reportedly offer token assistance--its first economic as- 25X1
sistance for Cambodia--in such fields as irrigation, mining, and light construction.

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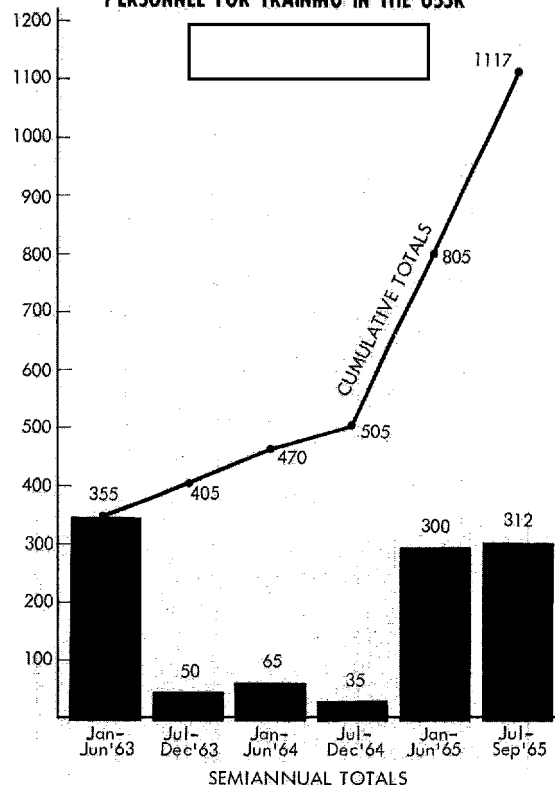
SOVIET MILITARY AID TO ALGERIA CONTINUES

Recent deliveries of Soviet military materiel and the departure of large numbers of Algerian trainees for the USSR indicate that Moscow is providing significant military aid to the new Boumedienne regime in Algeria.

lack of adequately trained personnel. However, in an attempt to cope with this problem, more than 600 Algerians have been sent to the USSR this year to undergo military training.

In May a military delegation headed by Boumedienne, then defense minister, signed a "technical aid agreement" which probably covered additional training and may also include more sophisticated weaponry such as surface-to-air missiles and the SU-7 fighter-bomber.

DEPARTURES OF ALGERIAN MILITARY PERSONNEL FOR TRAINING IN THE USSR



So far an estimated \$75 million worth of Soviet military equipment has been delivered under an October 1963 Soviet-Algerian military aid agreement. Deliveries have included MIG jet fighters, IL-18 jet light bombers, AN-12 transport aircraft, motor torpedo boats, artillery, and medium tanks.

The absorption of this equipment by the armed forces has been slow because of the

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RHODESIA MAY DECLARE INDEPENDENCE THIS MONTH

There is mounting evidence that Prime Minister Ian Smith will unilaterally declare independence for Rhodesia this month, unless Prime Minister Wilson can dissuade him in talks scheduled for next week in London.

Last week Smith requested an immediate meeting with Wilson, stating that the matter was too urgent to wait until the scheduled visit of Commonwealth Relations Secretary Bottomley to Salisbury on 13 October. Although Wilson will not see him until 7 October, Smith plans to arrive in London several days earlier to prepare for the talks and to meet with Bottomley. The UK High Commissioner in Salisbury has returned to London for consultation.

Smith had previously stated his desire to negotiate independence gradually with the UK. However, he has apparently decided during the past few weeks that it will be politically impossible for him to postpone the final decision any longer.

Pressures from within Smith's Rhodesia Front party for immediate action are high. Proponents of a unilateral declaration of independence (UDI) are becoming increasingly vocal, and one anti-UDI government official already has been prematurely retired. Two Rhodesian cabinet ministers are in London now and another will accompany Smith, which may further restrict Smith's maneuverability.

A survey taken by a Salisbury correspondent indicates that a majority of the white electorate expects UDI and is willing to take the gamble, despite last year's warnings from the business community that the economic consequences of such a move could be dire. Smith told UK officials that the tobacco growers are anxious to learn whether there will be UDI so that they can prepare to withstand the threatened UK embargo by planting alternative crops.

It appears that UDI can be averted only if Wilson convinces Smith and his cabinet that the repercussions would be too severe for Rhodesia to withstand. Wilson is expected to outline the economic and political measures which his government proposes to take against an "illegal rebellion against the crown. Among those being considered are the cessation of aid and the exclusion of Rhodesia from the London money market. Nevertheless, the British apparently have not yet decided whether to take any measures which might upset economic relations seriously at a time when London is struggling with a serious deficit in its balance of payments.

British officials in London and Salisbury are pessimistic, and privately say that the chances of UDI are high.

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SOUTH AFRICA BUILDING NEW AIRFIELDS

South Africa is nearing completion of a number of large airfields, apparently to protect its own frontier and that of the Territory of South-West Africa against potential threats from the north.

In the upper regions of the Territory, Pretoria's controversial mandate from the League of Nations, at least four new fields are under construction: at Ondangua, Ruacana, and Grootfontein, and at Katima Mulilo, near the end of the Caprivi strip, bordering Zambia. Another airfield is under construction in South Africa itself, at Mkuze, just south of Swaziland and Portuguese Mozambique. The fields are over 7,000 feet long, paved, and due

for completion within the next few months.

The Verwoerd government claims the South-West African fields are for civilian use, probably because the League mandate, granted in 1920, forbids the establishment of military bases. The fields will facilitate administration of the regions in which they are located, but Pretoria's avowals seem implausible. At Grootfontein, for example, a town of 5,000 already served by a railroad, the field reportedly will be 9,500 feet long. The field at Katima Mulilo, which Pretoria says is an "emergency landing" strip for South African Airways, is some 200 miles away from the main SAA international route.

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REBELS SLOWING GOVERNMENT MILITARY CAMPAIGN IN EASTERN CONGO

The Congolese Government this week launched its campaign to clear the rebel stronghold around Fizi on Lake Tanganyika, but rebel resistance has slowed its progress. In Leopoldville, the political tempo is picking up, amid reports that President Kasavubu and Premier Tshombé may have reached a temporary truce in their political feud.

The government's two-pronged movement against the largest remaining rebel-held region is proceeding slowly. One government force under mercenary commander Hoare was landed from barges onto rebel-held territory 100 miles

north of Albertville. The major force, moving overland, now is some 75 miles north of Albertville. These groups will attempt to link up in the next few weeks and then start sweep operations to clear the countryside.

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Recent unconfirmed reports estimate that varying numbers--from 15 to 300--of foreign volunteers are in the Congo, possibly engaging in combat. No bodies

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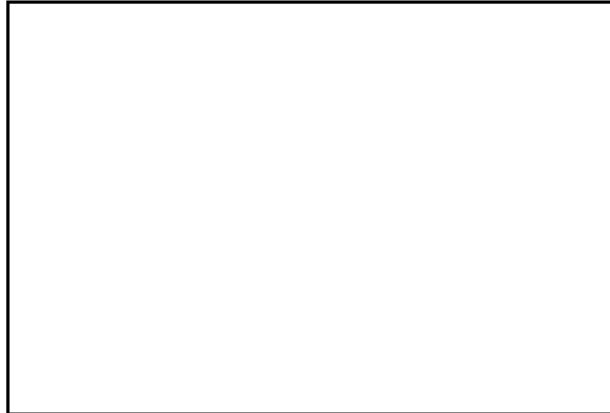


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have been found recently, however.

On the political front, the sparring continues behind the scenes, while Parliament is still being organized. Kasavubu's supporters are apparently making some inroads into the parliamentary strength of Conaco --Tshombé's political party-- but the premier probably still retains a clear majority. Tshombé is also making overtures to some of Kasavubu's disen-
chanted supporters, including

a few deputies from his Bakongo tribal area.



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JORDAN AND LEBANON SEEK JET FIGHTERS FROM FRANCE

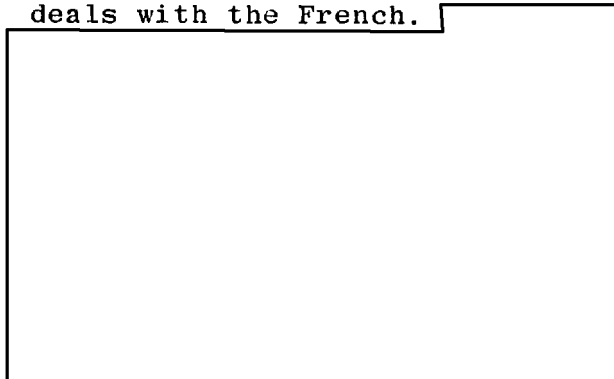
Jordan and Lebanon are negotiating the purchase of Mirage-III jet fighters from France.

The two Arab states have been under strong pressure from the Egyptian-dominated United Arab Command (UAC) to obtain Russian-built MIG-21 fighters, in accordance with plans for increasing Arab military strength vis-a-vis Israel. The UAC allocated money for aircraft purchases from a joint Arab fund established to finance the build-up. Jordan and Lebanon, however, want to avoid Egyptian and Soviet penetration of their air forces and, thus, would prefer Western-manufactured planes.



Husayn has said that the UAC is offering MIG-21s at the exceptional bargain price of only \$280,000. The Egyptians, who are middlemen for the proposed transaction and are pressing hard for the purchase of MIGs, may have cut the price of the aircraft below that charged by the Soviet Union.

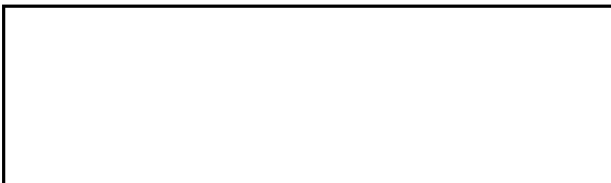
The UAC seems certain to object to Jordanian and Lebanese deals with the French.



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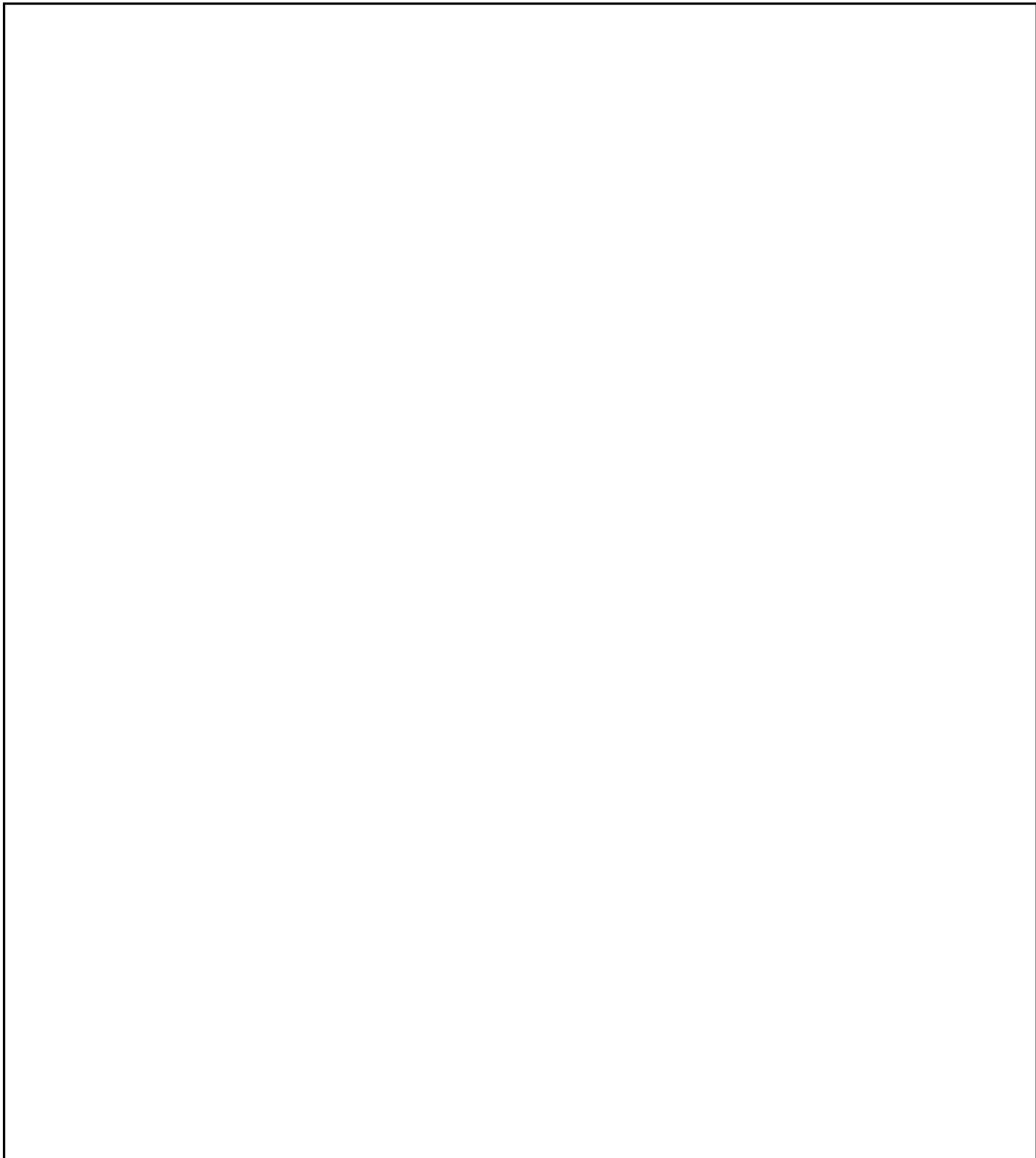
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Europe

IMPACT OF THE COMMON MARKET CRISIS ON EURATOM

France's boycott of the European communities' decision-making machinery is likely to affect important EURATOM affairs this fall. Several matters requiring action of the Council of Ministers will come up for attention. Overshadowing them all is the 1966 research and development budget. Approval of specific 1966 allocations is urgently needed to avoid delay in the research program for next year.

Because the new five-year allocation by research categories was agreed on by all six members last May, well before the Common Market crisis, members of the EURATOM Commission hope that the next council meeting--projected for late October or early November--can handle the 1966 budget exercise as a routine question. France has already indicated it will not entertain any new or important issues, and it probably will not attend the session at all. If the French do not attend, it is questionable whether the other five will have the courage to approve the budget and refer it to the European Parliament, or, in that event, whether France would pay its allotted share.

A second important matter requiring Council approval is the amendment of the provisions of the EURATOM Treaty which created EURATOM's supply agency, the member countries' purchasing agent for special nuclear materials. Because the Council failed to confirm or revise these provisions by 1 January 1965, as required by the treaty, the French claim the supply provisions are invalid and the agency is "nonexistent." EURATOM's Commission has proposed new, more liberal supply agency provisions which have been endorsed by the European Parliament, but a Council vote is still required for their final approval. This cannot be accomplished so long as France continues its boycott.

The French stand on the status of the supply agency is complicating action on a recent decision by the US to substitute a single US-EURATOM treaty for the bilateral accords it has with EURATOM members for the exchange of nuclear fuels. All the members except France have agreed in principle to the substitution, and Belgium led the way last July in accepting the termination of its own bilateral.

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FRENCH COMMUNISTS ENDORSE PRESIDENTIAL CANDIDATE

The endorsement by the French Communist Party (PCF) of presidential candidate Francois Mitterrand is its first significant collaboration with the parties of the democratic left since 1947. Mitterrand, parliamentary deputy of a left-wing grouping called the Democratic Assembly, had been endorsed earlier by the Socialist Party. The Communist support for Mitterrand will make it impossible for the center parties to support him and thus will spur their efforts to find an acceptable candidate of their own to oppose De Gaulle or his designated heir in the December elections.

The PCF's support for Mitterrand came despite his failure to negotiate a common program with the Communists, a condition which the PCF repeatedly had stressed was the sine qua non for its endorsement.

In the short run, support for Mitterrand spares the PCF from running a Communist candidate who might get a substantially smaller proportion of the total vote than the 21-25 percent the party won in previous national elections. In the longer range, it could be

a step toward the "unity of action" on the political front long sought by the PCF.

Support for the Mitterrand candidacy could lead to a fragmentation of the left, however, since endorsement of a candidate espousing a pro-NATO and pro-EEC platform may be regarded as capitulation to the non-Communist left by Communist militants and by extreme leftists. A substantial portion of these voters may defect if the extreme left splinter group, the Unified Socialist Party (PSU), decides to run its own candidate. A sizable defection to a PSU candidate, added to the prospect that some Communists and leftists will cast their ballots for the Gaullist candidate, could develop into a permanent loss for the PCF.

The center parties have stepped up their efforts to find a candidate. Like De Gaulle, former premier Antoine Pinay, the choice of many leading center politicians, has failed either to commit himself to run or to make clear that he will not be a candidate. The deadline for filing for the 5 December election is 16 November.

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STEPHANOPOULOS WINS GREEK PARLIAMENTARY VOTE

Prime Minister Stephanopoulos won a parliamentary vote of confidence by a margin of only one vote on 24 September, and more, perhaps insurmountable, difficulties lie ahead.

Stephanopoulos, in effect, "bought" the last few votes he needed by giving cabinet posts to the most recent defectors from ousted premier Papandreou's party, the Center Union. He will probably fill most of the remaining cabinet positions within the next week by appointing those who had participated in the governments which premiers Novas and Tsirimokos had attempted to form. Dissatisfaction on the part of supporters who were not given cabinet posts, or who did not receive the consideration which they expected, could at any time cost Stephanopoulos their support in the National Assembly.

Personal conflicts among cabinet members or policy differences with the National Radical Union (ERE) and the Progressive Party, which are represented in the cabinet, might also make the prime minister's position un-

tenable. The head of the ERE had a dispute with Stephanopoulos during the vote of confidence, and an ERE public rally--as well as rallies by the Center Union and the Communist-front United Democratic Left (EDA)--has been forbidden by the government.

Parliament now is in recess until mid-November. The interim is likely to be marked by Center Union and EDA demonstrations and strikes. Papandreou has pledged an "unrelenting struggle"--the same slogan he used to come to power a year and a half ago--to overthrow Stephanopoulos. In this struggle Papandreou may come to depend even more on the support of EDA.

Serious economic and social problems, which have been held in suspense for the last two and on half months, as well as such key issues as the Cyprus situation will add to Stephanopoulos' difficulties. He is expected to ask for US economic aid to tide him over.

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Western Hemisphere

PANAMANIAN REACTION TO JOINT STATEMENT ON CANAL

Panamanians generally reacted with guarded optimism to the joint canal statement by Presidents Johnson and Robles on 24 September. One widely held view is that while many of Panama's long-standing demands have been recognized, final judgment must await implementation of the details under discussion.

President Robles is pleased with being able to make the statement and with the support he has been promised by news media, the Panama business community, and political leaders in his coalition. Robles feels that he now can deal effectively with his opponents in the National Assembly.

Not unexpectedly, the statement has not silenced criticism from former president Arnulfo Arias and leaders of his mass-based Panamenista Party (PP). The radio station identified with Arias broadcasts daily diatribes against the government and its "unpopular" and "unproductive" canal talks. A PP "manifesto" issued on 27 September strongly attacked the joint statement as deception of the Panamanian people.

Arias is in Panama City to direct strategy and is evidently determined to exploit the "manifesto" to the fullest. Foreign Minister Eleta, conceding Arias' appeal to the country's

uneducated classes, is planning an all-out radio and television campaign to wean the educated and "thinking" people away from him.

In the opening assembly session on 1 October, Panamenista deputies can be expected to demand more specific information on the treaty negotiations. They will focus criticism on the base rights and status-of-forces agreements and will demand to know what economic benefits Panama will receive. In addition, criticism will probably emphasize the need to cancel the 1903 Hay - Buneau Varilla Treaty before negotiating a sea-level canal and status-of-forces agreement. The prospective president of this session of the assembly believes the issue of canal negotiations will become more difficult for the administration to handle unless future progress is more rapid than in the last 18 months.

Communist and extreme left-25X1
ist reaction to the joint statement has been slow to materialize.

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PRESIDENT VERSUS MILITARY IN DOMINICAN REPUBLIC

Dominican military leaders, who have increasingly felt shunted aside and abused by provisional President Garcia Godoy, were on the verge of withdrawing their support from him on 28 September and demanding that a new man be appointed. Their fulmination was triggered by his decision, without consulting them, to name a coordinating commission to implement integration of rebel military elements into the armed forces and to transfer the national police to the Ministry of Interior. Three members of the eight-man commission were top rebel military leaders under Caa-

of armed rebels demanding "donations to the revolution."

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Meanwhile Santo Domingo remains a divided city. Downtown banks and stores are reluctant to reopen while the political situation remains unsettled and until adequate police protection is assured them. Extensive looting still is being reported, and the few stores which have reopened have been visited by groups

The return of ex-President Juan Bosch on 25 September has added to the government's difficulties in restoring peace and order. The military were generally opposed to his return and particularly angered over arrangements which they considered gave the impression of a triumphal entry. Bosch immediately delivered an anti-US speech in the rebel zone and urged a purge of top military leaders and the immediate departure of all foreign troops. Since returning, Bosch has made no mention of whether he will be a presidential candidate in the elections scheduled for mid-1966.

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INSURGENCY IN NORTHERN MEXICO

On 23 September a group of about 20 guerrillas raided a garrison of Mexican Army troops near Madera in the northern border state of Chihuahua. Five soldiers and ten attackers were killed in the skirmish.

Among those killed was the leader of the band, Arturo Gamiz, a fanatical extreme leftist who has been operating in the mountains of Chihuahua since early 1964. Gamiz had been arrested in April 1964 for participating in disturbances directed against then president-presumptive Gustavo Diaz Ordaz, and then released. Gamiz and his followers attacked a group of state rural police in July 1964 and had been charged with terrorist activity and agitation among the peasantry since that time. The Mexican security forces' search for the outlaws was stepped up following a raid in June 1965 in which a soldier was killed.

Gamiz' group is only one of several leftist groups agitating in Chihuahua and other northern states, exploiting long-standing peasant discontent arising from miserable conditions in the area. Agrarian problems there have most re-

cently been aggravated by the termination of the bracero program under which many tens of thousands of Mexican farm laborers found seasonal employment in the United States. The bracero program formerly acted as a safety valve for the seething unrest among peasants who have had practically no benefit from Mexico's economic advances. A recent increase in the frequency of clashes between squatters or bandits and security forces has embarrassed the Mexican Government.

Since his assumption of the presidency in December 1964, Diaz Ordaz has contended with several actions on the part of the extreme left. This latest incident can be expected to harden his intolerance of activity designed to embarrass his administration. In the 23 September clash, the security forces demonstrated their capability to cope with insurgency and apparently broke the outlaw band by killing its leaders and dispersing the others. The corpses of the outlaws were immediately interred in a secret common grave to lessen the chance of student-peasant demonstrations at a "martyrs" funeral.

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BOLIVIAN CRISIS EASES

An uneasy calm has returned to Bolivia since last week's confrontation between security forces and tin miners at the Catavi - Siglo Veinte mining complex. All mines now are operating normally except for Siglo Veinte, where sporadic strikes and work slowdowns continue. The junta is holding discussions with representatives of the miners to try to reduce resentment of its reform program, but basic dissatisfaction is deep-seated and violence could be renewed in the mining area at any time.

The labor unrest did not develop into a political crisis because of the inability of the student movements in La Paz and others large cities to unite in action against the junta. The most threatening student action was a march on the presidential palace on 27 September which resulted in injury to five persons by gunfire. Student activities were otherwise confined to strikes and denunciations. Students in La Paz, split over a

future course of action, now have turned their attention toward university federation elections.

The major opposition political parties were unable to exploit the unrest because of deep internal splits over policy. All denounced the "military solution" to the mine problem, but none was able to mobilize sizable contingents for street action. Only a handful of party extremists took an active part in the student demonstrations, and participation by factory workers failed to materialize.

The junta plans to restore constitutional guarantees soon in order to prepare a favorable climate for elections which may be held next June. Government officials hope that by convoking elections, the government can bring the political parties to devote their efforts to the formation of viable coalitions rather than plots to oust the junta by violence.

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